

**THE INFLUENCE OF GOVERNMENT REGULATION ON THE  
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: THE CASE  
OF AUTOMOBILE PARTS INDUSTRY IN NAIROBI KENYA**

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**THIS PROJECT REPORT HAS BEEN SUBMITTED IN PARTIAL  
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## DECLARATION

This research project is my original work and has not been submitted for an award of a degree in any other university or institution of higher learning.

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## **DEDICATION**

This research project is dedicated to my Dad Mr. Salim Mohammed and Mum Mrs. Margaret Mohammed without whose support, I would not have begun and completed this great undertaking.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>AFRICOG</b>	Africa Centre for Open Governance
<b>CBD</b>	Central Business District
<b>GDP</b>	Gross Domestic Profit
<b>IEA/SED</b>	Institute of Economic Affairs & Society for Economic Affairs &
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>MSEs</b>	Micro Small Enterprises
<b>NCBD</b>	Nairobi Central Business District
<b>NCPB</b>	National Cereals and Produce Board
<b>NEMA</b>	National Environment Management Authority
<b>NHIF</b>	National Hospital Insurance Fund
<b>NSSF</b>	National Social Security Fund
<b>PAYE</b>	Pay As You Earn
<b>SBP</b>	Solitary Business Grant
<b>SMEs</b>	Small Medium Enterprises
<b>USAID</b>	United States Agency for International Development
<b>VAT</b>	Value Added Tax

## ABSTRACT

The study involves discovering the influence of government regulations on the growth of small medium enterprises in Nairobi County. The focus of the study was on those who sell automobile spare parts in downtown Nairobi. Despite the high potential of small medium enterprise dealing with spare parts thriving worldwide, the ones in Africa and especially Kenya still have some challenges. The specific objectives of the study were to find out the taxation policies affecting automobile operators in Nairobi CBD, to assess how the licensing processing is affecting automobile operators in Nairobi CBD and to identify the import and export rules affecting automobile operators in Nairobi CBD. This study adopted a descriptive survey design to research which is the process whereby the researcher uses sample survey where data collection about the sample collected through self-administered questionnaires. The study had a target population of 600 small scale auto mobile dealers within Nairobi central business district. From the population a sample of 60 respondents was randomly picked using stratified random sampling. The study showed that 76.6% of the respondents were conversant with tax administration and the use of integrated tax affected the operations of the SMEs and the responses varied with majority 65% indicating to have been affected. The study results that licensing procedures and laws affect business operation of the respondent this was indicated 76.6% of the respondents. This was illustrated by 90% of the respondents who indicated that without a single license the business cannot be allowed to operate within Nairobi. The study concluded that the challenges of government regulations in the growth of small medium enterprises in Nairobi area have a positive and significant relationship on automobile parts sector within the NCBD. It also concludes that the multiplicity of licensing has affected the growth of the SME. The study recommended that government should control the cost of compliance and non-compliance to business permit so as to enable the operation of the SMEs in Nairobi run smoothly, at the same time evaluate the taxation policies that affect the growth of the SMEs in Nairobi.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

Governments all around the world are currently drawing their concentration to small scale enterprises. This is because bid to support economic development by setting up big industries have mostly failed to advance the lives of the majority of the people concerned (Gardner, 2000). SME is nowadays regarded as significant in even and fair economic development. SMEs are described as those enterprises that hire between 10 and 50 employees with yearly incomes between Kshs.500,00 and Kshs. 5 and 50 million for enterprises undertaking manufacturing (Law of Kenya, 2012).

In many developing countries, doing business is a real nightmare because of the many challenges which the entrepreneurs face. As of 1995, Kenya was generating nearly 0.5 million people into the labour market yearly. The modern-day small farm sectors could only provide for 0.24 million workers. The other populations of 0.26 million people are involved in economic occupation out of the formal sector as life dictated. (Griffith, 2011). The SMEs sector has been tasked with increasing the workforce hence up marketing the employment sector from 1.3 million in 2000 to 2.366 million in 2010 but this estimate was founded on a yearly growth rate of 8.8 %. The condition at present has changed a bit though it is approximated that the sector employs about 2.3 million people. This shows the constant growth rate of this sector (World Bank, 2010).

Kenyan policy on SMEs evidently demonstrates that the sector is not only a contributor of goods and services but also a facilitator in supporting competition, innovation and boosting the enterprise culture which vital for private sector development and industrialization. The sector should essentially act on challenges of initiating constructive and workable employment chances, fostering economic growth and poverty obliteration in the country.

The SMEs policies stipulate a structure that will substantiate research and development to uplift SMEs way in to suitable technologies, urge innovation and market product design, development and quality control. SMEs will act as a significant role in contributing to the national goal of wealth conception and rendering Kenya an industrialized country (Muturi, 2015).

Despite the significant economic role that SMEs play in Kenya, they continue to face many challenges as they try to propel the economic growth of an economy. Inability to access credit is a key limit deterring the growth of SMEs sector. The concerns and difficulties preventing SMEs attainment of financial services involve a lack of substantial security linked with the inappropriate lawful and governing outline that does not identify inventive policies for loaning to SMEs. Restricted access to formal finance owing to scanty and unsatisfactory capacity to provide financial services to SMEs continues to be a limitation in the growth and development of the sector (Wanjohi, 2012).

Legitimate financial institutions acknowledge SMEs as considerably risky and markedly unrealistic. (Ericson, 1997). As a consequence, only a few SMEs get credit from formal financial organizations in the country. Numerous kinds of aid have been offered to SMEs to enhance advancement by making them more cost-effective. Several Corporations including business associations, voluntary institution, and other non-governmental institution have set up courses to boost the aspects that impact the growth of SME particularly as it relates to enterprise development. (IEA/SED), Institute of Economic Affairs & Society for Economic Affairs & Society for Economic, Development, 2001).

SMESs encounter a lot of constraints that drastically deter their development and consequently their impact on economic advancement. SMEs deal with the exceptional setback of doubt, modernization and growth. The greatest outstanding issues are electoral insecurity, regulation and governance situation, monetary limits, energy calamity, taxation drawbacks, labour matters, absence of coordination and steady information flow mechanisms amongst organizations.

Small Medium Enterprises also experience the absence of research capability and competence to undergo significant risks or some benefit of expansion. Mainly SMEs lack the potential to acquire protection cover to shield them against liabilities owing to their small size, lack of thorough experiences and monetary situation are less qualified of adapting and taking on productive enterprises (Ngui Thomas, 2014).

Businesses operate in an environment of constitutional grants of and limitation on, governmental authority. As a result, the decisions of the courts interpret the constitution to determine the scope of the authority. Notwithstanding the scarce resources, lack capital outlay, lack financial facilities accessibility amount other constraints these business ventures have been in the spotlight of the government all over the works through strenuous licensing procedures, high tax rates, strict product safety requirements and fundamentally the need for adequate facilities and tools to provide safe working environments and proper human resources management strategies.

The need to adhere to these government regulations have proved tedious and expensive to their operations, process and systems developments with the result being poor performance, low profitability, lack of innovation and developments, low competitiveness and the collapse of the majority of SMESs. This is despite the notion that SMES have been very instrumental in the economic developments of countries through offering employment opportunities, generation of revenue, the market for the products, development of infrastructures and technology transfer programs. SMEs despite the handicaps from the government operations and other quarters also play a greater role in poverty alleviation, personal and societal development strategies (Elmer, 1969).

Policy, lawful and regulatory structures are (amongst other factors like public health laws) in the form of trade licensing and registration of business names (Caps 497 and 499, Laws of Kenya) and Local Authority Licensing by-laws (Cap 265 Laws of Kenya). The governing measures comprised in these structures have remained a limitation to the expansion of SMEs. This is because of the actuality that they have charges whether a business person conforms with them or not. Such charges may

shake up the foundation, growth and competitiveness of SMEs. (Peter K'obonyo, 1999).

Small medium enterprises are the backbone of any country economy. This is because the highest percentage of labour force depends on the enterprises for their employment and livelihood. The government benefits from revenue collected through taxation, licensing and other compliance cost imposed. However, as the SMEs play crucial role in the economy they face challenges of high taxation, bureaucratic processes, licensing and import and export rules. Therefore the government should review existing compliance cost on small medium enterprises to ensure there is equilibrium thus the SMEs are able to run their enterprises with ease and attain growth and at the same time the government acquire revenue to facilitate efficient and effective public services.

## **1.2 Statement of the Problem**

The mechanical area in Kenya created at 3.5% in 2015 and 3.2% in 2014, affecting 10.3% to total national output (GDP) (KNBS, 2016). In any case, fabricating has been creating at a moderate rate than the economy, which expanded by 5.6% in 2015. This demonstrates the stake of assembling in GDP has been dropping after some time. Casual industry, segments perceived as defenseless were connected to confounded industrialization, for example, vehicle gathering, gadgets, and other innovation related assembling. Absence of data assumed there was no unmistakable idea with regards to the weakest subsector in casual assembling (Were, 2016).

The World Bank's Enterprise Surveys from 2007 and 2013 implies that the business atmosphere was declining. Organizations in 2013 endured higher subsidizing costs, higher vulnerability and progressively undependable access to framework. (USAID, 2014). Kenyan associations produce 30 commitments per year, and yield 201 staff hours to figure, document and cover their regulatory expenses. For brokers, coordinations are the primary restriction. By and large, the techniques and certifications expected to import or fare take 26days; connecting to the power network in Nairobi require six stages, takes additional five months and charges by and large multiple times the per capita net national salary. Specific highlights of this exchange condition with a negative impact on the mechanical part. Record-keeping and

authorizing is a trouble as there is nobody stop search for investors hoping to begin a business in the nation. There isn't registration on what approach to set up a business and what is required. In the event that there were, all the unique prerequisites originate from entirely unexpected and detached foundation (Were, 2016).

In Kenya, for a person to establish a business, you must have filled the forms and paid the required fee at the Attorney General's chamber, then you must obtain a license. All these go with costs and waiting for some day or weeks before getting the required documentation. These charges might have undesirable effect on the institution of the projected business since portion the capital originally intended for its setting up may be utilized in the procedure of compliance, therefore interfering with the general operation of SMEs and its possibility of future growth. (Peter K'obonyo, 1999).

Beyond just a stable operating budget the real reasons a business owner creates and progress their ventures is because they want to create lasting wealth driven by a healthy cash flow and profit. Inadequate development and execution of government regulations in the form of taxation policies, licensing procedures and import and export rules threaten the smooth operations in SMEs in the automobile spare parts hence low or no growth. It is in this context that these study set to investigate how government regulatory policies impact operation and development of small medium enterprises.

### **1.3 Research Questions**

The Study intended to find answer to the following questions.

- i. What are the taxation policies affecting automobile parts operators within Nairobi CBD?
- ii. How does the licensing process affect automobile parts operators with Nairobi CBD?
- iii. How do the import and export rules affect automobile operators within Nairobi CBD?

### **1.4 Objective of the Study**

The main objective of this study was to analyze the influence of regulations on the performance of small and medium enterprises in Nairobi Kenya.



### **1.4.1 Specific Objectives**

The study specially sought;

- i. To establish how taxation policies are affecting the operation of automobile parts operators within Nairobi CBD.
- ii. To determine how the licensing process affects the automobile spare parts operators in NCBD.
- iii. To find out how the import and export rules affecting automobile spare parts operators in NCBD.

### **1.5 Justification of the Study**

SMEs play a key function in the economic growth of a country. The study will be important and beneficial to a number of organizations, institutions and individuals both in the public and private sector including such as universities schools and colleges, the government and related departments. Private sector organization, Business consultants and research organization and the SMEs in other sectors among other organization.

The universities, schools and colleges will use the information generated as students lecture notes. Additionally, the study will form the basis for future research more among the students in the department of sociology and social work, entrepreneurship developments and related courses in the universities and other colleges.

The study outcomes will help the government in developing of the policies, strategies and procedures governing operation of small and medium enterprises. The generated information will offer clear and accurate blueprints on the best practices in the handling of business issue among the SMEs and therefore provide valuable and strong points for the government actions.

The outcomes and commendation of this study will be used as benchmarks or yardsticks forming the frames for the provisions of services to the customer and other stakeholders in the private sector organizations and government organs.

The business constants the whole of East African region will benefit from the study outcomes for dealing with the myriads of clients more so in the automobile field and provide more accurate upto date and correct information inputs on the relationship of the government and other SMEs which may be useful in effecting business transaction and other important commercial operation. The SMEs in the automobile parts sector that are set directly such as electronic, oil, financial, foods and beverages, motor vehicles, and clothing and will, directly and indirectly, benefit from the study outcomes. The information generated from this study will determine the key relationship patterns, communication, decision strategies and both domestic and international business dealings involving the government operators and departments.

### **1.6 Scope and Limitation of the study**

This study sought to establish the role of government regulation on the operation of SMEs and concentration on the operation of the SMEs in the automobile parts sector conducted at the CBD in Nairobi city county Kenya. The study was based on two key government regulation framework as in trade licenses and taxation (both direct and indirect taxes) and their role in the operations of SMEs in the automobile parts sector. The study did not cover issues to do with, anti-trust law which affects mainly the large companies and was conducted for a period of three months with a specific and predetermined budgetary constraints.

The researcher is a resident of Nairobi County and has a thorough knowledge of all the estates and geographical areas forming the Nairobi County. This may help in reducing the expenses needed for undertaking the research. The researcher had little difficulty in accessing the organizations under study. Nairobi county and its environs have better and specified facilities tools and machinelike needed to undertake any level of research. The researcher had relative ease accessing the facilities and tools for the conduct of the study.

## **1.7 Definition of Significant Terms**

**Government:** is defined as a central authority that provides leadership to established institution and the community.

**Regulation:** is defined as all systems of social control-including unintentional and non-state processes.

**Small business:** In Kenya is defined as a small business with 10-49 employees.

**Medium Business:** Business is that with 50-99 employees.

**Taxation:** is the practice of collecting taxes (money) from citizens based on their earnings and property.

**Small Medium Enterprises (SMEs):** are characterized as those that utilize somewhere in the range of 10 and 50 specialists with yearly turnovers between Kshs. 500,000 and Kshs. 5 Million and capital arrangement between Kshs. 5 Million and 20 million for administrations or between Kshs. 5 and 50 million for ventures doing producing.

## **CHAPTER TWO**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.1 Taxation Regulation and the Operation of SMEs**

Taxation is the procedure by which the sovereign, through its law-production body, raises incomes used to settle costs of government. It is a method for government in expanding its income under the expert of the law, deliberately used to advance welfare and assurance of its populace. Tolentino (2005). It is the gathering of the portion of individual and authoritative salary by a legislature under the expert of the law. Taxation is the innate intensity of the state to force and request commitment upon people, properties, or rights to create incomes for open purposes. The intensity of taxation upon need and is intrinsic in each administration or power (Ali, 2014).

The advantage rule holds the individual ought to be saddled in extent to the advantages they get from the administrations and that duties ought to be paid by those individuals who get the immediate advantage of the administration projects and tasks out of the charges paid (Masato, 2009). The Ability-to pay rule holds that duties ought to relate with the individuals' salary or the capacity to pay that is individuals with more noteworthy pay or riches and can stand to make good on increasingly regulatory expenses ought to be saddled at a higher rate than individuals with less riches.

The Equal-Distribution Standard is the rule that pay, riches, and exchange ought to be burdened at a fixed rate: that is, individuals who procure more and purchase more should make good on increasingly regulatory obligations, however won't pay a higher pace of duties (Kamleitner, 2012). An expense is corresponding; the administration takes a measure of cash from an individual which is in direct extent to a salary. An expense is backward, implying that the legislatures take a bigger level of an individual's pay for each assessment, while he is accepting a lower pay. An assessment is dynamic (Kamleitner, 2012). The administration takes a bigger level of his compensation for expense because of his significant pay. The duty sum is proportionately equivalent to somebody's status in the general public. A rich man should pay in excess of a poor man (Ali, 2014).

The basic role creates assets or incomes use to settle costs brought about by the administration in advancing the general welfare of its populace. Different reasons for existing being to evenhandedly add to the abundance of the country, to ensure new businesses and to secure nearby makers. It is an upheld commitment (Kamleitner, 2012). Its installment isn't deliberate nature, and the burden isn't reliant upon the desire of the individual taxed. It is commonly payable in real money. This implies installment by checks, promissory notes, or in kind isn't acknowledged. It is proportionate in character. Installment of taxes ought to be founded on the capacity to pay standard; the higher salary of the taxpayer the greater measure of the tax paid. It is exacted (to force; gather) on individual or property.

There are taxes that are forced or collected on acts, right or benefits. It is collected by the state which has ward over the individual or property (Mabit, 2011). When in doubt, just people, properties, acts, right or exchange inside the locale of the taxing state are subject for taxation. It is demanded by the lawmaking body of the state. This implies an earlier law must be instituted first by the Congress before evaluation and gathering might be executed of the 1987 constitution. It is exacted for open purposes. Taxes or forced to help the administration for the execution of undertakings and projects (Masato, 2009).

The by-laws governing taxation connected to government regulatory outlines arise from the national and regional laws. Tax is a mandatory commitment forced on the person by the state to meet the costs which are brought about for normal use. With regards to SMEs, essentially, expense can be arranged into two noteworthy classes basing on the occurrence of duty just as 'assessment to salary' proportion. As per the last resting (rate) of assessment, there is immediate duty and roundabout expense. The direct duties incorporate corporate personal duty, property assessment and taxes while the aberrant expense includes deals duty and Value Added Tax (VAT (Mika, 2012).

John (2012) clarifies that annual tax is an immediate tax charged on salary of people from work, independent work, benefits from business substances and personal taxes, for example, lease pay, profits, intrigue, benefits, eminences, and pay from the executives of expert expenses while Value Added Tax is a backhanded tax demanded on the utilization of merchandise and enterprises, and it is charged at each phase of

creation and distribution chain up to retail stage. The VAT is also levied on imported taxable goods and services. He also notes that corporate tax is similar to individual income tax, only that it does not have graduated rate structure.

National laws and guideline have set up taxation frameworks that greatly affect the activity and the board of the little medium undertaking. An excessively intricate administrative framework and tax system in its administration and execution lead to tax consistence unduly hazardous and frequently have a distorting impact on the development of SMEs as they are baited to transform into structures that present a decreased tax load. This outcomes in a tax framework that forces high costs on society (Masato, 2009). A shoddy tax framework additionally prompts low proficiency, high gathering charges, exercise in futility for taxpayers and the staff, and the low measures of got taxes and the deviation of ideal assignment of assets (Farbod, 2000).

Existing precise evidence clearly demonstrates that little and medium-sized associations are impacted excessively by these costs: when scaled by arrangements or assets, the consistence costs of SMEs are higher than for colossal associations (Ojeka, 2011). Among the factors militating against SME charge consistence are high duty rates, low profitability, high amassing charges, pointless activity citizens and the staff, and the low proportions of got charges and the deviation of perfect task of advantages (Farzbod, 2000). Others according to Yaobin, (2007), are twofold tax collection, no master charge consultancy, weak assessment organizing, high tax assessment cost.

According to Kimaru (2014) studies have shown that about 90% of small-medium enterprise owners do not understand the tax administration system and therefore very few normally get to harass and be violent in handling most of the owners of the small and medium business. Small business owners find the tax computation tedious.

Tax administration does not balance in educational and assistance role with its enforcement role and neither do the staffs respond to the needs of the clients meaning that it would be uncommon to be sure to not hear protests about the unpredictability as well as uncertainty of the tax laws, high tax rates, and the absence of a coordinated

monetary technique that takes social taxes, and nearby taxes and expenses into record when deciding the general tax weight set on the business network. Thus, for this reason, most of the traders experience difficulties in dealing with the government in general and the tax administration staff (Kimaru, 2014).

Literature on MSEs such as (Toletino, 2005, SMEs Development policy, 2002. Clayton, 1995 and Kolstad, 2000) among others demonstrates that the advancement of MSEs is one of the strategy procedures for accomplishing national improvement objectives, for example, neediness easing, monetary development expanding individuals' interest in financial exercises, business creation and pay age. It likewise incorporates fortifying the modern base and various other financial goals.

For his situation, Tolentino (2005) reports that the potential financial advantages of MSEs are ascribed to their ability to accomplish the activity creation at low speculation cost, commitment to the economy by expanding yield merchandise and ventures and improvement in linkages between monetarily, socially, and geologically different divisions.

The SMEs terminology is utilized to mean miniaturized scale, little and medium ventures. It is once in a while alluded to as miniaturized scale, little and medium undertakings (MSMEs). The SMEs spread non-ranch monetary exercises mostly producing, mining, business and administrations. There is no all around acknowledged meaning of SME. Various nations utilize different proportions of size contingent upon their degree of improvement. The regularly utilized measuring sticks are absolute number of representatives, all out speculation advertisement deal turnover. (SMEs Development approach, 2002).

Tax is a necessary commitment forced on the people by the state to meet the costs which are caused for basic use. With regards to SMEs, fundamentally, Tax can be grouped into two noteworthy classifications basing on the frequency of tax just as 'tax to salary' proportion. As per the last resting (rate) of tax, there is immediate tax and aberrant tax. The direct taxes incorporate corporate annual tax, corporate personal tax, property tax and duties while the aberrant tax contains deals tax and Value Added Tax (VAT) (Ali, 2014).

Worth Added Tax (VAT) is a tax exacted at each phase of generation and conveyance chain up to the retail organize. The VAT is charged on any supply of merchandise or administrations in Mainland Tanzania where it is a taxable supply made by a taxable individual throughout or in Furtherance of any business carried on by him (VAT Act, 1998). This is a tax put on the worth that makers add to each phase of creation. It is a tax on utilization rather than pay (Clayton, 1995).

It has been noticed that an incredible number of little and medium ventures are looked with intricacies when initiating their tasks. Calcopietro and Massawe, (1999) contend that other difficulty to the SME administrators incorporate the covering of temporary government expenses even before an organization goes into creation in addition to the necessity to settle a few other regulatory expenses, for example, stamp tax, deals tax, finance demand, Municipal and Regional taxes, Corporate tax, and so forth.

Karlstad (2006) clarify the business imperatives for small scale endeavors in Tanzania and contend that taxes are sees to be serious issue for both youthful and old firms. This circumstance is said to be brought about by high tax rates and vulnerability about tax strategies which are seen to be more noteworthy issues in little and medium endeavors. It is noticed that tax experts are among the most "dreaded" establishments by casual division administrators for organizing their exercises. Organization suggests between alia, enrollment with the tax specialists and thusly the necessity to settle pertinent government obligations, tax is an expense to its payers. With numerous and high tax rates, the expenses become heightening. Tax, along these lines diminishes the business' benefit. On the off chance that ready to maintain a strategic distance from this expense by not regulating their exercises along these lines casual part administrator are keeping away from them (Ngowi, 2009).

An investigation on SME Performance in Cameroon's Manufacturing and retail parts (Oludele, and Emilie, 2012) infers that the guideline and friends laws are essential guidelines that negatively affect little and medium-size organizations. Organizations enrolled with the Ministry of Trade will in general be progressively guideline agreeable while those enlisted with the Municipality are definitely not. A



survey study on tax consistence of entrepreneurs (Kamleitner, 2012) unmistakably exhibits that the three key angles influencing entrepreneurs view of their tax circumstance incorporates; observation about resistance openings: important taxation learning; their choice edges that render taxes as agonizing misfortunes. In light of the survey of the writing, the investigation recognizes the accompanying free factors (Kamleitner, 2012).

## **2.2 Licensing and Laws Regulation and the Operations of SMEs**

Regulation refers to all frameworks of social control – including accidental and non-state forms (Baldwin, 2006). State guideline can be portrayed as exercises taken by state association that command or preclude activities by people and associations. With infringement subject to lawful assent. This would, along these lines, incorporate assessments and requirement (Hampton Review 2005 report). The lawful and administrative systems set up 'the standards of the game' in the public eye and administer the manner by which the administration, ventures and common society associate with one another. The guidelines impact speculation choices, openings and prizes accessible to monetary entertainers. (Della, 2014).

Authorizing is a beginning stage to business after every one of the prerequisites of the business has been met. The permit approves that person (licensee) to lead business or organizations as indicated in the permit at the premises to determined (Cap 497: 11, 9 (7), Law of Kenya). This necessity for a permit serves two capacities: to control certain business exercises and to raise income for both the focal government and nearby experts. Entrepreneurs need to realize which licenses as well as enlistment declarations are expected, where to acquire them, the instance of getting them, their cost, the recurrence of recharging and dangers engaged with resistance. This suggests they need data. Proprietors of little undertaking will in general obtain such data from different organizations. Precise data about enlistment may not be promptly accessible. This is on the grounds that different ventures may not be a dependable wellspring of data. In this manner, entrepreneurs may need to spend more cash, time and exertion to get data or expect the danger of working on falsehood. (K'obonyo et al, 1999).

The general lawful necessities that every enrolled business must obtain incorporate, National Social Security Fund (NSSF). National Hospital Insurance Fund (NHIF) VAT number, and individual ID number. (Mary, 2006). To finish a business enlistment marking of an assertion of consistence (structure 208) preceding an official of pledges/legal official open, as per the Companies Act (top 486) is compulsory. (AFRICOG, 2012). The permitting necessity for business working in Kenya incorporate, a solitary business grant (SBP) which is acquired from the region workplaces, and other area explicit licenses got from the pertinent service or potentially authorizing expert, including and not restricted to: Ministry of Agriculture, Ministry of Health, Ministry of Education, National Environment Management Authority, Horticultural Crops Development Authority, National Cereals and Produce Board (NCPB).

MSE expert was set up with the expect to organize, fit and encourage exercises and plans that identify with the part. A portion of the difficulties that influenced the division. A portion of the difficulties that influenced the division included poor coordination and execution of arrangements that lead to duplication of exercises by various government offices focusing on a similar part. The MSE Authority, hence, was given the job of checking and assessing the execution of important approaches, and joint effort with significant establishments to improve coordination. (KIPPRA, 2013).

The difficulties that happen during the securing of little medium undertakings licenses are for the most part in the techniques and means by which guidelines are connected in genuine day by day practices and they include: Absence of straightforward postings as well as distributed data on the arrangement of systems, explicit records required, and steps/intends to acquire these reports, for the most part in the significant government elements, for example, the region. (Middle Easterner Republic of Egypt Ministry of remote exchange, 2002). All organizations require enlistment however the main expense of consistence that include installment of an every day or week by week charge to the nearby government while organizations which are not required to enlist, the main expense of consistence is that of getting data on the Act (Joseph, 2012).

The enactment important for SMEs include: organization, business and contract laws, property laws, including property rights, taxation laws, bookkeeping law, chapter 11 law, laws concerning purchaser shields, laws concerning natural security, work laws, the lowest pay permitted by law laws, working wellbeing laws, rental laws, laws of affiliation, credit enactment, banking and budgetary market laws, stock trade laws, licensed innovation rights laws and laws concerning rivalries, including hostile to confide in laws (Della, 2014).

A few guidelines apply to specific kinds of business. For instance, VAT enrollment in the UK is mandatory for those exchanging over the predetermined turnover edge (at present £60k per annum). Work rights are just pertinent to those utilizing or considering utilizing others. Different sorts of guideline, however all inclusive in their extension, change in their effect crosswise over organizations. Natural guidelines concerning the capacity and utilization of the dangerous substance, for instance, are probably going to greatly affect certain areas than others, for instance, agribusiness, assembling and transport and correspondence organizations (Carter, 2003).

The impacts of the External Environment on Internal Management Strategies with Micro, little and Medium Enterprises: Kenyan Case' administrative procedures may dishearten increments in the size of activity for firms, despite the fact that there might be chances to misuse economies of scale. Be that as it may, the expense of enrolling the business, the need to utilize outside bookkeepers to fulfill administrative necessities, and the time went through managing questions with administrative organizations can be increasingly costly per unit of creation for little medium ventures.

The casual business people in little medium undertakings have every now and again lead to mind-boggling expenses as provocation for rebelliousness, and regularly risk for all time being made bankrupt. The inclination of miniaturized scale and little scale administrators, particularly little venders and makers, to assemble in the thick advertises and stuffed urban areas makes them prey to city experts in the push to clear blockage and contamination. Arrangements that give a focal area where microenterprises can share offices are absolutely ailing in Kenya.

These arrangements should involve building up a Program of organized urban improvement that suits the necessities of smaller scale undertakings and disheartens dispersal to remote regions, as this will hinder the development of little medium endeavors. (Njanja, 2012). The clients of online networking can share their perspectives and experiences. This aids inventiveness, open correspondence and sharing of information among clients. Facebook, Skype and exchange gatherings are instances of internet based life apparatuses (Tapscott and Williams, 2008). Casual correspondence empowers associations to get to resources that may by one way or another not be open to them. It can similarly help the progression of an organization's worth, increase the customer and supplier contacts and reveal where resources and financing are open, advance improvement and help in the improvement of crucial affiliations (Zontanos and Anderson, 2004).

Business visionaries on occasion have all of the aptitudes and data expected to develop their endeavor and finding people with the imperative capacities, and getting them to contribute, is a fundamental piece of their frameworks organization (Simon, 2012). The sky is the limit by means of electronic systems administration media. Owing the versatility of long extend relational specialized gadgets, associations can comprehend different points of interest. These as shown by Simon (2012) are increasingly important access to different onlookers, improved customer care, improved things and organizations and apportionment of positive evaluating practices.

Business access alludes to administrations identified with the determination, estimating, deal and appropriation of items, publicizing or special exercises, and securing access to crude materials, sources of info and gear. Obtaining access or creating conveyance access to outside business sectors and additionally providers (sending out or bringing in) is viewed as a showcasing movement which perpetually has the impact of expanding the client base pay and henceforth deals turnover (Chuta and McPherson, 1994). The coordination of SMEs into the business chain is one component of the sort of the associations that can prompt the exchange for ability, aptitudes and skill, and add to an extended customer in this way expanded deal turnover (Riley and Steel 2002). Business access assumes a crucial job in beating the expense of data looking for exercises (van Tulder, 1995).

For example, as contended in Hirschey (1985), middle people assume a noteworthy job in encouraging the fares of little endeavors. Different angles identified with this, for example, systems, access to clients, account and other assume a similarly significant job in improving the fare volumes of little ventures.

### **2.3 Import and Export Rules**

The present fare advancement procedures must mirror the changing idea of the worldwide exchange condition on the off chance that they are to have an effect. Change in the previous quite a while has taken numerous structures. Expansive changes are influencing global exchange, for example, the Uruguay Round Agreement and the foundation of the World Trade Organization (WTO). Likewise, three noteworthy issues have as of late risen that impact send out advancement: developing enthusiasm for nature and economical improvement, the significance of little and medium-sized ventures (SMEs) as exporters, and the degree for expanding exchange administrations, particularly those providing data innovation administrations and clean innovation administrations and clean innovation.

According to the Small and Medium Enterprise Development Authority SMEDA (2003), The European Union has a solitary Market, which implies that merchandise, capital administrations, and individuals can move uninhibitedly among fifteen-part nations. Throughout the years the import of merchandise into the EU from creating nations has expanded and the organization of imports from creating nations is changing for produced products. As indicated by the principles and guideline of EU, an import permit is need generally for horticulture and nourishment things, coal and lignite fuel, a couple of determined base metal items, for example, steel items, different attire, and material items (under the standards of MFA), and controlled things, for example, arms ammo.

The import authorized are for the most part non-transferable and they might be utilized to cover a few shipments inside the all out amount approved. The products are recognized on the permit utilizing the fit framework characterization number and the relating wording of the levies position. Licenses are normally issued up to a set amount limit every year and can be either send out regulated or import managed. The Department of Trade and Industry issues these licenses. On the off chance that the

item falls under MFA and it's liable to import standard, the exporter needs to give the Importer a fare permit with the goal that shipper may get an import permit. The postponement in the issuance of the permit is commonly because of absence of legitimate documentation or data gave in the essential structure.

The quick industrialization and modernization as of now clearing through numerous African nations have brought about an expanded interest for capital products, for example, hardware, greases, save parts, metal ball and mechanical merchandise and frill. The market for car extra parts, specifically has been an appealing area for UAE-based ventures, which have risen as the main provider of these merchandise to numerous nations in East, Central and Southern Africa. The UAE has for quite some time been known as a noteworthy provider of vehicle extra parts both inside the Gulf locale just as for Iran, CIS, Indian sub-landmass and Africa. In the wake of seeing a downturn as of late, the vehicle and extra parts industry in the nation has by and by recuperated to its ideal level. In any case, the expansion popular for quality extra parts has empowered parallel import into the nation constraining driving car wholesalers and extra part organizations to begin a full-blooded crusade against illicit merchants who work from neighboring nations, especially over the fringe in Oman. Because of illicit imports into the UAE, the significant players in the neighborhood market have consolidated together to control the inflow of intemperate supply of extra parts through unlawful channels (Tchamyou, 2017).

According to Nyaboke (2015, Import and Export Small and Medium Enterprises (SMEs) have been creditably playing a vital and vibrant role in the economic growth and development of the Country. This has been confirmed by the level employment and GDP contribution. The study confirms a majority of the permanently employed respondent at a rate of 62.5% compared to casual employment at a rate of 37.5%. However, with good performance also comes the challenging factor affecting SME performance. These include issues of policy and legal framework and access to market information. This situation has been of great concern to the Government citizenry, operators, practitioners and the organized private sector groups.

## **2.4 Theoretical Review**

A hypothesis is characterized as a lot of interrelated ideas, definitions and recommendations that present a precise perspective on marvels by indicating relations among variable to clarify or anticipating the Phenomena (Bull, 1991). This examination is tied down and the Economic Theory of Entrepreneurship, Schumpeter Theory of Innovation, Social institutional theory and Democratic Elitism Theory.

### **2.4.1 Economic Theory of Entrepreneurship**

Mark's Blaug (1985) economic theory hold that entrepreneurship is as a result of conducive economic conditions which include effective taxation policies, a flexible licensing process and favourable rules of importation and exportation, mechanical arrangement, simple accessibility of items, simple access to back on ideal terms, access to data about economic situations and accessibility of innovation and foundation (Marshall, 1936).

As per Kirzener (1973), business venture and fiscal improvement will occur in a situation where explicit money related conditions are commonly perfect. Business venture is thus observed as the fourth factor of creation near to land, work and capital. Money related stimuli consolidate tax collection approach, present day procedure, wellsprings of reserve and unrefined material, structure availability, adventure and publicizing openings are viewed as the essential motivations for inventive activities. Further, enterprise and financial development happen when the monetary conditions are good. Standard business analysts see the supply of enterprise profoundly flexible. Put in the operation of the automobile operators in Nairobi CBD determine a lot how the business perform. That is if taxation policies, the process of licensing and the rules of importation are clear, fast, flexible and congruent with the operators understating, then they find it easy to carry out their businesses and hence enhance economic growth among the entrepreneurs, the county and the whole county overall.

### **2.4.2 Schumpeter Theory of Innovation**

Schumpeter (1983) affirms that the adjustments in venture joined by money related development are the main considerations behind the business vacillations. The hypothesis places that advancement in business is the real explanation behind expanded speculations and business vacillations, (Karol, 2013). Schumpeter asserts

that the recurrent procedure is solely the aftereffect of advancement in the association, both mechanical and business. This includes three phases; development, advancement and dispersion which are regularly viewed as imperative order. The primary stage is development process, enveloping the age of new thoughts. The subsequent stage is advancement process, involving the improvement of new thoughts into attractive items and procedure. The third stage is the dissemination arrange, in which the new items and procedures spread crosswise over potential market. (Mahjoubi, 1997). This rising procedure of creation advancement spread reason's business cycles in the economy and in this manner technologic advancement as an inside component of economy turns into the most significant factor giving the dynamic of financial improvement. (Perihan, 2015).

Schumpeter built up the model in two phases; that is first guess and second estimate; so as to further clarify his business cycle hypothesis of advancement, (Schumpeter, 1983). The principal guess lays accentuation on the essential effect of innovatory thoughts while the optional estimation manages the resulting reactions got from the use of the developments. Schumpeter promoted the term "innovative pulverization" in financial aspects (Karol, 2013).

Business enterprise is progressively perceived as a significant driver of financial development, efficiency, advancement and work and it is generally acknowledged as a key part of monetary dynamism (Karol, 2013). In the context of the current study, the researcher that the automobile operators at the Nairobi should be treated as entrepreneurs. Therefore, they should be given policies and regulation that encourage their innovativeness, creativity and growth.

This means the taxation policies, licensing and import and export rules should be formulated such that they enhance the performance of the operators and not discourage them from trying out new opportunities, wanting to improve on their businesses and trying out new products. Brusco and Righi (1989) in their investigation on nearby government, modern strategy in Italy affirmed basic creation difficulties looked by SMEs like insufficient data sources and absence of generation innovation for better vehicle generation. Creation difficulties were credited to constrained access to fund for SMEs, in spite of the presence of different money related organizations.



This was fundamentally because of stringent conditions set by the money related foundations. The Kenya Industrial Estates necessitates that the SMEs ought to be in an enlisted affiliation or gathering, to have the option to access advances. Notwithstanding, the greater part of the SMEs don't fit the bill to get to the credits as they don't have a place with any of the maker affiliations (Kirimi, 1993).

### **2.4.3 Social Institutional Theory**

Institutional hypothesis tries to explain why nations are centered around intelligent foundations similarly as what structures these take. The central subject is that definitive structures made in industrialized countries are seen by game plan makers, providers and various states as indication of progression towards present day institutional improvement thus meriting budgetary assistance. Regardless of the positive or negative aftereffects of their activities, the introduction and backing of explicit structures in tertiary guidance and citizen upheld associations to confer this commitment. Institutional theory gives a record of the advancement and structure of the academic and state investigate regions, as powerful relationship in industrialized nations function as models far from their one of a kind setting (Tolbert, 2011).

A choice to make an association is the result of disclosure of innovative chances. (Kirzner, 1973). There are open doors for people to make benefits by connecting with into market exercises, such open doors exist out there, before being found. Entrepreneurial openings is an abstract procedure, which are target wonders not known to all gatherings consistently (Shane, 2000). For example elaborating variations in rates of organizational start up across different categories of businesses over time seems problematic from this perspective. Therefore, no one is able to verify whether small medium enterprises in automobiles spare parts which have a greater tendency to start a new business, somehow have an upper hand than other businesses. (Waldinger, 1990). Existing institutions entails normative expectations and understanding of acceptable firm structures and practice, putting in considerable influence on decisions about appropriate structures, practices and behaviours of entrepreneurial ventures. (David, 2006).

Entrepreneurship and social change is described by social movement which is defined as a set of preferences for changing elements of the social structure and /or reward distribution in society. This encourages individuals to take risks they might not have taken if they were driven purely by financial concerns. (McCarthy, 1977). Social movement creates market opportunities for new products and services. Thus encourage entrepreneurs to venture into social movements that bring about innovation and change.

#### **2.4.4 Democratic Elitism Theory**

Democracy is defined as a political system in which the people rule. Direct democracy involves communal decision making by those affected by them. The holding of a referendum, for example, when the majority expresses their views on a particular issue, is one of direct democracy. Government strategies in a majority rule government are affected by nonstop procedures of dealing among various gatherings speaking to various interests-business associations, worker's guild, ethnic gatherings, ecological associations and religious gatherings. A fair political request is one in which there is an equalization among contending interests, all having some effect on arrangement however none overwhelming the genuine components of government. (Anthony Giddens, 2006).

Weber started from the supposition that immediate vote based system is unthinkable as a methods for customary government in enormous – scale social orders. This isn't just for the conspicuous calculated reason that a great many individuals can't meet to settle on political choices, but since running a perplexing society requests aptitude. This applies for small medium enterprises in that business community experts under SMEs sector of automobile spare parts are able to bargain for improve taxation policies, licensing process and enhanced import and export rules. Participatory vote based system, Weber accepted can just prevail in little associations in which the work to be done is genuinely basic and direct. Where progressively entangled choices must be made, or strategies work out, even in the unobtrusive estimated gatherings – for example, independent venture firm – particular learning and abilities are fundamental. Specialists need to do their employments in constant premise; places that require mastery can't be liable to the ordinary race of individuals who may just have an unclear learning of the important abilities and data. While higher authorities, in charge

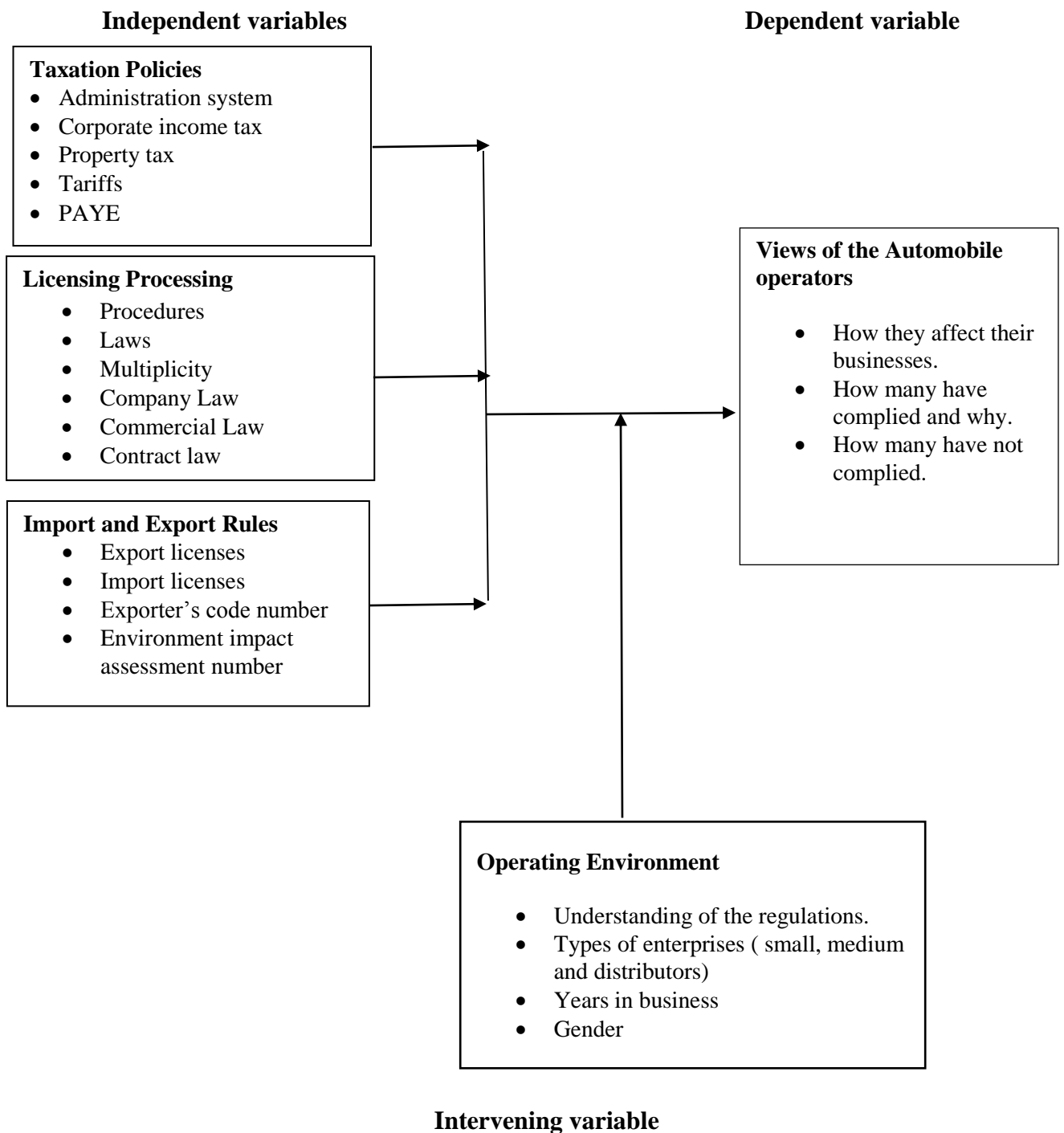
of generally speaking strategy choices, are chosen, there must be a huge substratum of full-time bureaucratic authorities who have a huge impact in running a nation. (Weber, 1979).

Weber put a lot of accentuation on the significance of initiative in vote based system – which is the reason his view is alluded to as majority rule elitism. He contended that standard by elites is unavoidable; as well as can be expected trust in is that those elites adequately speak to our interests and that they do as such in an inventive and canny style. Parliaments give a rearing ground to competent political pioneers ready to counter the impact of organization and to order mass help. Weber esteemed multi-party vote based system more for nature of initiative it produces than for the mass cooperation in governmental issues it makes conceivable. (Anthony Giddens, 2006). Joseph Schumpeter completely concurred with Weber about the points of confinement of mass political interest. For Schumpeter, with respect to Weber, vote based system is progressively significant as a strategy for creating viable and capable government than as a methods for giving noteworthy capacity to the larger part. (Schumpeter, 1982).

## **2.5 Conceptual Framework**

In this study, the main variables are government regulation and policies and the views of the automobiles operators. Government regulation is the independent variables and views of the automobile operators are the dependent variable. The government regulations have been broken into specific variables as taxation policies, licensing process and import and export rules. The intervening variable is the operating environment. The indicators for taxations policies are tax administration system, corporate income tax, property tax and PAYE. The indicators for licensing process are procedure, laws multiplicity, company, commercial and contract law while indicators for import and export rules are export licenses, exporter's code number and environment impact assessment number.

**Figure 2.1: Conceptual Framework**



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter is composed of the methodology to be followed in the undertaking of the study process. The chapter contains the research design, target population sample procedure and sample size which was done in Nairobi central business district, the data collection sources and instruments and the methods of analyzing data and presentation of research outcomes. The chapter ends with a clear consideration of the ethical issues involved in the research.

#### **3.2 Research Design**

This study adopted a descriptive survey design to research which is the process whereby the researcher uses sample survey where data collection about the sample collected through self-administered questionnaires. The sample survey enabled collection of a large number of data within a short time and it's cost effective. The tools used in the research process comprised of the descriptive statistics. This comprised of the tools used for population choice, sampling procedures, data collection and analysis and presentation of the study outcomes. This survey sought to acquire information from SMEs owners and representatives on how government regulation challenge effective operation and the growth of the SMEs with the purpose of offering immediate solution to the problem facing small and medium scale business systems in Nairobi central business district.

#### **3.3 Unit of analysis and Unit of Observation**

The unit of perception which is the subject, thing or substance from which we measure the character or acquire the information required in the examination study while unit of investigation alludes to those units that we at first portray to total their qualities so as to depict some bigger gathering or dynamic wonder (Mugenda and Mugenda, 2003). This is illustrated in table 3.1 below.

**Table 3.1 Unit of Analysis and Unit of Observation**

<b>Unit of Analysis</b>	<b>Unit of Observation</b>
Influence of government regulation on the growth of small and medium enterprises.	Automobile parts traders <ul style="list-style-type: none"><li>• Small scale traders</li><li>• Medium scale traders</li><li>• Micro scale traders</li></ul>

### **3.4 Target Population**

The target population is the population that a researcher wants to generalize the result. (Mugenda and Mugenda, 2003). The study targeted a population of 600 which include; 340 small scale traders, 160 medium scale traders and 100 micro scale traders. The target population of the study was 600 SMEs dealing with automobiles spare parts within Nairobi CBD. Out of the 600 SMEs, as 10% sample of 60 was drawn and distributed using stratified sampling techniques. This sample was supported by Kothari (2004) who says that statistical inferences are validly made from a sample that are largely enough at 10% of the population. The study sought to find out how government regulations effect the operation and growth of SMEs.

### **3.4 Sample Size and Sampling Procedures**

Using the stratified random sampling method, the entire population was divided into homogenous groups which are called strata. Random samples were then selected for the study. This represented sample ratio of 10 % of the total population of six hundred business holding targeted by the study. Proportionate stratified method was obtained by using the formula:  $(\text{Sample size} / \text{population size}) * \text{Stratum size}$ . Each subgroup is called a stratum. In proportionate stratified method, the sample size of each stratum is proportionate to the population size of the stratum. The sample of sixty (60) business holding was selected from across all the categories of the population and comprised of thirty four (34) small scale traders, sixteen (16) medium scale traders and ten (10) micro scale traders. Stratified sampling ensures that the appropriate numbers of elements are drawn from homogenous subsets of that population. (Earl Babbie, 2005). The calculation is as follows.

Sample size is 60.

Population size is 600

Stratum is 340 small scale traders, 160 medium scale traders and 100 distributors.

Sample size of small scale traders is  $60/600 \times 340 = 34$ .

Sample size of medium scale traders is  $60/600 \times 160 = 16$ .

Sample size of micro scale traders is  $60/600 \times 100 = 10$ .

This study involved 60 respondents where they were issued with questionnaires and given a period of two weeks to fill and return. The researcher visited them after every two days to assess the progress of the filling the questionnaires were found to have been filled and returned for analysis which represents 100% of the sampled respondents. This response was considered adequate for reporting the findings of the study. Mugenda and Mugenda (2008) supports this response rate by stating that a response rate of 50% is acceptable and a response rate 70% or above is excellent for analysis. Table 3.2 indicates sample size after using proportionate stratified method.

**Table 3.2 Sample Size (automobile spare parts dealers' in NCBD)**

<b>Population category</b>	<b>Small scale traders</b>	<b>Medium scale traders</b>	<b>Macro scale traders</b>
Number of people in the stratum	340	160	100
Strata sample size	34	16	10

### **3.5 Data Sources**

The data used in the study was obtained from the primary and secondary sources. The primary sources which referred to the original fresh data from the field were from the bulk of the data to be used in the study. The secondary or generic data acted as additional data.

### **3.6 Data Collection instruments**

The primary data was collected through the use of interviews questionnaire methods for the small scale traders, medium scale traders and micro scale traders.

### **3.6.1 Interview Method**

The interview method was used in the collection of primary data for the study. Specifically use was made of the structured interview as the method for collecting the primary data. The interviews were administered to the small-scale traders, medium scale traders and the micro scale traders during the data collection process.

### **3.6.2 Questionnaire Method**

The questionnaire method was also be used in the collection of primary data. Specifically, the semi structured questionnaire, comprising of both the structured and unstructured questions was distributed to the respondents for self-administration. Structured questions are accompanied by a list of all possible alternatives from which respondents select the answer that best analyze their situation while unstructured question gives the respondent freedom to respond in their own word. (Mugenda and Mugenda 2003) The questionnaire method was used among the small scale traders owing to their numerical strengths.

### **3.6.3 Content analysis of Documentation and Records**

The collection of secondary data was undertaken through the analysis of existing records and documentation. Use was made of the statistics and the city county commercial division and the records at the records at the Kenya national bureau of statistics and other governments.

### **3.7 Data collection procedures**

The researcher designed the data collection instruments and distributed them to the sampled set of respondents at the Nairobi central business district for self-administration. This was undertaken during month of June 2015. The researcher paid a visit to the respective business units in the month of July 2015. During the visit the researcher collected the data using data collection instruments, earlier distributed to the respondents for analysis. The researcher conducted interviews to the sampled set of respondents with a view to ascertaining the responses received from other instruments. Listening tactics and note taking was done simultaneously.



### **3.8 Ethical issues involved**

In the conduct of the study varied ethical issues was taken into consideration. Respondents were allowed the freedom to take part in the study. There was not to be any form of threat or coercion to make the respondents to take part in the study. The participation in the study was through the free will of the respondents. Additionally, the researcher did not use deceitful deals to make the respondents so as to persuade them to take part in the research process.

### **3.9 Data Analysis and presentation research outcomes**

The data obtained were analyzed through the application of descriptive statistics tools. Specifically use was made of such tools as measures of central tendency through the means, mode and median, measures of dispersion through the determination of range and standard deviation and by the application of frequency distribution methods through simple and cumulative frequency distribution systems.

The statistical data analysis was supplemented with the use of computer software programs consisting of the Ms excel and SPSS V 21 for windows. The outcome was indicated in percentages, percentage average and averages. The investigation results were introduced using clear insights instruments, for example, recurrence conveyance diagrams (bar outlines and pie graphs), basic recurrence tables and charts. Befitted investigation the information got was composed through coding, recording, postponing and compromise. This was embraced to expel any disarray and irregularities that might be available in the information.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Profiles of the Respondents

##### 4.1.1 Age of the respondent

The respondents were asked to state their age group. The study found that 10% of the respondents were in the age group of between 18-25, 30% of the respondents were of age group between 26-35, 20% of the respondents were of age group between 36-40, 25% of the respondents were of age group between 41-45 and 15% of the respondents were of age group of 46 and above. This is illustrated in table 4.1 below. The figures indicate that majority of small medium enterprises were operated by youth who are between the age group of 18-35 at 40%.

**Table 4.1: Age of respondent in the business.(N= 60)**

<b>Age of respondents</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
18-25	6	10.0
26-35	18	30.0
36-40	12	20.0
41-45	15	25.0
46 and above	9	15.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey data, (2015)**

##### 4.1.2 Gender of the respondents

The study sought to establish the gender of the respondent. The table 4.2 below indicate that 41.7% of the total respondents were female and 58.3% were male respondents. This was a clear indication that the SMEs dealing with automobile spare parts is a male dominated area of business.

**Table 4.2: Gender of the respondents in the business (N= 60)**

	<b>Frequency (N)</b>	<b>Percent (%)</b>
Male	35	58.3
Female	25	41.7
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### **4.1.3 Position held by respondent in businesses**

The respondents were asked to state the various positions they held in the business. The study found that 70% of the respondents were proprietors while 30% were franchise dealers who are mainly the owners of the business. This is presented in table 4.3 below. The figures indicated that majority of small medium enterprises were operated by the proprietors.

**Table 4.3: Position held by respondent in businesses ( N= 60)**

<b>Position of the Respondents</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
Sole proprietor	42	70.0
Franchise dealers	18	30.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### **4.1.4 Level of Education**

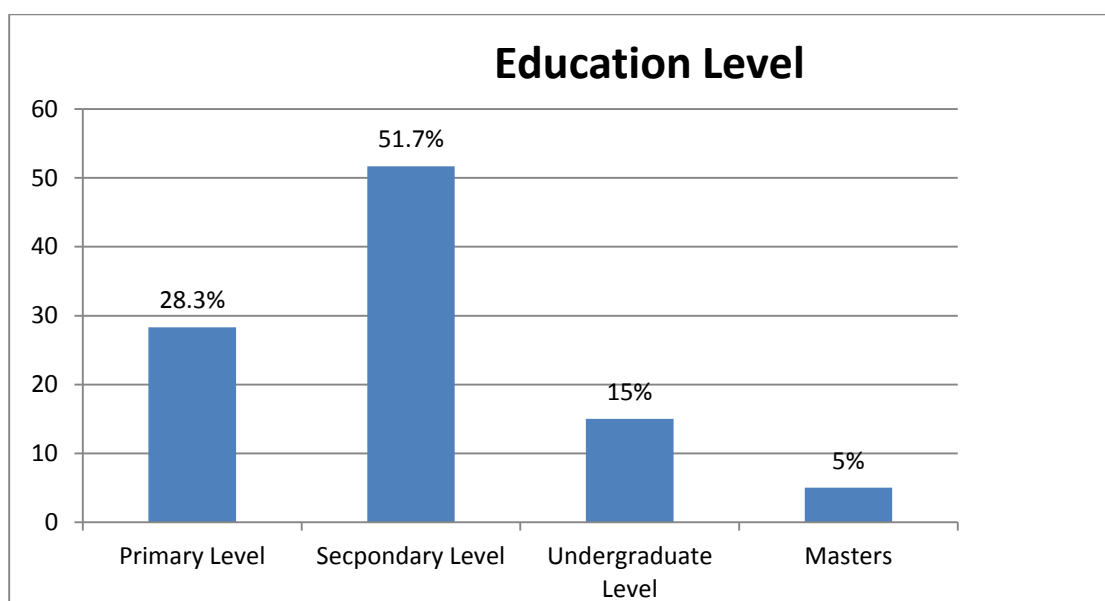
The question sought to establish the level of education of the respondents in order to determine whether they were away of the regulation that influence the growth of their businesses. The study found that 50.4% were secondary school leavers, 28.3% primary school, 15.9% were undergraduate while 5.2% had masters degree. This is presented in table 4.4 and figure 4.1 below. These figures indicate that majority of the respondent were secondary school leavers and therefore were conversant with government regulation.

**Table 4.4: Level of education of the respondent.( N= 60)**

<b>Education level</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
Masters	3	5.0
Undergraduate	9	15.0
Secondary level	31	51.7
Primary level	17	28.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

**Figure 4.1: Level of Education (N=60)**



**Source: Survey, (2015)**

#### 4.1.5 Number of employees in business

The respondents at the target SMEs were asked to state the number of employees they had in the business. Majority 60% had 1-5 employees, 20% had 6-10 employees, 15% had 11-15 employees and 5% had above 20 employees. This is presented in table 4.5 below. These figures clearly indicated that the respondents were classified according to definition of SME.

**Table 4.5 Number of Employees in business. (N=60)**

<b>Number of employees</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
1-5	36	60.0
6 - 10	12	20.0
11 - 15	9	15.0
Above 20	3	5.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### 4.1.6 Years in Business

The study sought to establish the number of years the respondent has been operating business. The results in table 4.6 indicate majority 58.3% of the respondents have been in the business for 6-10yrs, 11.7% for 1-5yrs, 10% for 11-15yrs, 5% for 16-20 years while 15% for over 20years. This is presented in table 4.6 These figures indicate that majority of the respondents have been in the business for over 5 years.

**Table 4.6 Years in business. (N=60)**

<b>Years in business</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
1-5 years.	7	11.7
6-10 years.	35	58.3
11-15 years.	6	10.0
16-20 years.	3	5.0
Over 20 year.	9	15.0
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### 4.1.7 Correlation between Sources of Funding and the years of operation in the business.

This question sought to establish the sources of funding in comparison to the years of operation and from table 4.7 results show that simple majority 45% were started using personal saving, 30% indicated to have inherited from family, 10% were funded by micro finance and 15% indicated commercial banks. The figures indicate that majority of the businesses were established using personal savings. It further indicates that there is a great relationship between source of funding and number of years in business operation.

**Table 4.7 Correlation between Sources of Funding and years of operation in the business.( N= 60)**

Source of funding for your business. \* How long has your business been in operation. Cross tabulation

		Years of Business Operation.					Total
		1-5 years.	6-10 years.	11-15 years.	16-20 years.	Over 20 year.	
Source of funding for your business.	Micro financial institutions (MFIs)	5	1	0	0	0	6
	Personal savings.	1	19	2	2	3	27
	Family and friends.	1	10	2	1	4	18
	Commercial banks.	0	5	2	0	2	9
<b>Total</b>		7	35	6	3	9	60

Source: Survey,(2015)

#### 4.1.8 Correlation between annual turnover and categories of business.

In this question, the sought to find out the annual turnover in Kenya Shilling in comparison to categories of business Table 4.8below indicate that 8.3% had annual turn of 1-50000, 15%had annual turnover 51000-100000, 16.7% had annual turnover 101000-200000, 25% had annual turnover 201000-500000, 18% had annual turnover of 501000-5 million and 5% had annual turnover of over 5 million. Therefore indicate that majority of traders had annual turnover between 201000 -500000and they fall under the category of small scale businesses. It also indicate that there is a significant relationship between category of business and the annual turnover.

**Table 4.8 Correlation between annual turnover and categories of business.  
(N=60)**

		<b>Business approximate annual turnover in Kenya Total shillings.</b>						
		<b>1- 50000</b>	<b>51000- 100000</b>	<b>101000- 200000</b>	<b>201000- 500000</b>	<b>501000- 5000000</b>	<b>0ver 5000000</b>	
Categorize your business.	Small scale business.	2	3	6	9	12	2	34
	Medium scale business.	2	2	3	6	3	0	16
	Micro scale business.	1	4	1	0	3	1	10
<b>Total</b>		<b>5</b>	<b>9</b>	<b>10</b>	<b>15</b>	<b>18</b>	<b>3</b>	<b>60</b>
<b>Percent</b>		<b>8.3%</b>	<b>15%</b>	<b>16.7%</b>	<b>25%</b>	<b>30</b>	<b>5%</b>	

## **4.2 Understanding of the Automobile operators on Taxation Policy**

### **4.2.1 Integrated Tax system**

The primary purpose of taxation is to raise revenue to meet huge public expenditure. Integrated tax system was introduced by the Kenya revenue authority to make filing of taxes convenient and efficient to all tax payers. The question sought to establish whether the respondents had an understanding with the integrated tax system and the responses varied with majority 76.7% indicating that they were conversant while 23.3% indicated having no understanding with the integrated tax system. These results were presented in table 4.9. There was indication that majority of people in the small medium enterprises understood the integrated tax system.

**Table 4.9 Understanding of the integrated tax system. (N=60)**

<b>Integrated tax administration system</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
Understood	46	76.7
Does not Understand	14	23.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Survey, (2015)

#### **4.2.2 Extent of Familiarity with Tax Administration System Procedures**

In this question the study sought the respondent's opinions on the extent to which the respondents were familiar with tax administration system procedures. The results were tabulated and analyzed using percentages. Not at all at 5%, little extent 33.3%, moderate at 11.7%, good extent at 26.7% and very good extent at 23.3%. Majority of the respondents were not familiar with tax administration system procedures. This is illustrated in table 4.10 below.

**Table 4. 10: Extent of familiarity with tax administration system procedures.(N=60)**

<b>Extent of familiarity with tax administration system procedures.</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
Not at all	3	5.0
Little extent	20	33.3
Moderate extent	7	11.7
Greater extent	16	26.7
Very great extent	14	23.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Survey, (2015)



#### 4.2.3 The extent to which various factors of taxation affected their business

The question sought to establish extent to which the businesses were affected by various forms of tax administration, which included high tax rates, low efficiency in tax administration, double taxation, no professional consultancy of taxes. The findings show that majority of the respondents at 60% indicated high tax rates affected their business, 20% indicated that double taxation affected their business, 8.3% indicated that professional tax consultancy of taxes affects their business, 5% indicated that weak tax planning affected their business, while 6.7% indicated that they were affected by low efficiency in tax administration. These results were presented in table 4.11 below.

**Table 4.11: The extent to which various factors of taxation affected businesses.**  
(N=60)

<b>Factors of taxation that affect the operation of your business.</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
High tax rates	36	60.0
Double taxation	12	20.0
No professional consultancy of taxes	5	8.3
Weak tax planning	3	5.0
Low efficiency in tax administration	4	6.7
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Survey, (2015)

#### 4.2.4. Correlation between understanding the taxation administration system and the level of education.

The correlation was done to find out whether there is a relationship between understandings of integrated taxation administration system and level of education and from table 4.12 and figure 4.5 below the results shows that in each level of education majority understood what integrated tax administration system. Master with 2 respondents, Undergraduate with 6 respondents, Secondary level with 24

respondents and primary level with 14 respondents. There was an indication of a significant relationship between understandings of integrated tax administration system and level of education and thus the need of one to be literate to understand the integrated tax system.

**Table 4.12: Correlation between understandings of integrated tax system and level of education. (N=60)**

	Level of education				Total
	Masters	Undergraduate	Secondary level	Primary level	
Do you understand the integrated tax administration system,	2	6	24	14	46
Understood	1	3	7	3	14
Does not Understand					
<b>Total</b>	<b>3</b>	<b>9</b>	<b>31</b>	<b>17</b>	<b>60</b>

**Source: Survey, (2015)**

### **4.3 Understanding of licensing procedures by the Automobile operators**

Business license are permits issued by government agencies that allow individuals or companies to conduct business within the governments geographical jurisdiction. It is the authorization issued to start a business by local government.

#### **4.3.1 Licensing Procedures**

Virtually all businesses need some form of license or permit to operate. The question sought to find out whether licensing procedures affect business operation of the respondent. Majority 76.7% indicated no while 23.3% indicated yes. The figures indicate that license procedure does not affect the operation of the business in Nairobi CBD. These results were presented in table 4.13 below. The respondent indicated that they were operating without all the required documents, others were located where it is not easily accessible to law enforcers. The respondent who had all documentation indicated that acquiring the licensing is a time procedure per year thus much effect is not felt on the business.

**able 4.13: Licensing procedures. (N=60)**

<b>Response</b>	<b>Frequency (N)</b>	<b>Percent</b>
Yes	<b>14</b>	<b>23.3</b>
No	<b>46</b>	<b>76.7</b>
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### **4.3.2 Extent procedures and requirement for establishing a business affect operation of business**

The question sought to establish whether the businesses were affected by the procedure when establishing the business. This was indicated by majority of the respondents at 91.7% were not affected while 8.3% indicated were affected. This illustrate that establishing business has long bureaucratic procedures but have little effect on the SMEs. This is illustrated in table 4.14 below.

**Table 4.14 Extent procedures and requirement for establishing a business affect operation of business. (N=60)**

<b>Extent</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
Very small	<b>55</b>	<b>91.7</b>
extent	<b>5</b>	<b>8.3</b>
Small extent		
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### **4.3.3. Correlation between licensing procedures requirements and annual turnover.**

The correlation was done to find out whether there is a relationship between licensing procedures requirements and the annual turnover. The results in table 4.15below indicate that there was little relationship between acquiring licensing requirements and the profit of the business hence very small extent effect on the growth of business.

**Table 4.15: Correlation between licensing procedures and requirements and annual turnover. (N=60)**

		Business approximate annual turnover in Kenya shillings.						
		1- 50000	51000- 100000	101000- 200000	2010000- 500000	501000- 5000000	0ver 5000000	
Do licensing procedures affect the operation of your business.	Yes	3	3	2	2	2	2	14
	No	2	6	8	13	16	1	46
<b>Total</b>		<b>5</b>	<b>9</b>	<b>10</b>	<b>15</b>	<b>18</b>	<b>3</b>	<b>60</b>

Source: Survey, (2015)

#### 4.4 Understanding of Import and Export Rules by the Automobile Operators

This question sought to establish whether the respondents were conversant with the import and export regulations that govern the operations of automobile spare parts in Nairobi. The results in table 4.16 below illustrates that majority of the respondent at 83.3% do understand import and export rules while 16.7% do not understand.

**Table 4.16: Understandings of import and export rules. (N=60)**

Respondent	Frequency (N)	Percent (%)
Understand	50	83.3
Did not understand	10	16.7
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source; Survey, (2015)

#### 4.4.1 Purchase of spare parts

The question sought to find out where the respondents were purchasing their spare parts from Majority 65% were importing and 35% from local dealer. These results indicate that for automobiles business to operate effectively they had to import from other countries. These results were presented in table 4.17 below.

**Table 4.17: Purchase of spare parts. (N=60)**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Import	<b>39</b>	<b>65.0</b>
Local dealers	<b>21</b>	<b>35.0</b>
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### **4.4.2 Effect of import and export rules on business operation.**

This question sought to find out whether an import and export rule affects the operation the business. The results in table 4.18 below indicate that majority respondents are affected by import rules whether direct or indirect. The reasons for the effects were that when the local dealers they purchase from are affected the effects trickle down to the respondents.

**Table 4.18: Effect of import and export rules on business operation. (N=60)**

<b>Response</b>	<b>Frequency (N)</b>	<b>Percent (%)</b>
Yes	<b>40</b>	<b>66.7</b>
No	<b>20</b>	<b>33.3</b>
<b>Total</b>	<b>60</b>	<b>100.0</b>

**Source: Survey, (2015)**

#### **4.4.3 Exemptions on import**

The study sought to find out whether there exemptions that the respondents were aware of while importing automobile spare parts. Majority 100% of the respondents were not aware of any exemptions that were given by Kenya Revenue authority.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATION**

#### **5.1 Summary of the Findings**

##### **5.1.1 Understanding on Taxation Policies**

The study revealed that 76.7% of the respondents were conversant with tax administration while minority 23.3% was not conversant. This affected the operations of the SMEs. The study establish extent the business were affected by various factors, which included high tax rates, low efficiency in tax administration, double taxation no, professional tax consultancy and weak tax planning. This was revealed by 60% of the respondent who indicated high tax rates had very large extent affected their business. 20% indicated double taxation at large extent, 6.7% indicate low efficiency in tax administration at small extent, and 8.3% indicated no professional tax consultancy while 5% indicated weak tax planning at small extent. The study all revealed that for to be able to understand the integrated tax administration system one must literate.

##### **5.1.2 Understanding of Licensing Process by the Automobile Operators**

The study found out that licensing procedures did not affect business operation of the respondent. This was revealed by 76.7% of the respondents who indicated they were not affected while 23.3% indicated they were affected. Licensing procedure and laws do not affected business operations. Majority of the respondents indicated that they were operating without all the required documents. Others were located where it is not easily accessible to law enforcers while those who had all the documents indicated that acquiring the licensing requirements is a onetime procedure per year and therefore does not have much effect on the operation of the business.

The second objective of the study was to investigate how licensing procedures has affected the growth of the SMEs. The results indicated that this investigation had a lower significant relationship with growth of the SMEs. The lowest correlation coefficient was noticed between licensing procedures requirements and annual turnover.

This implied that investigation licensing procedures requirements would not affect the growth of the SMEs but differently. This was illustrated by 91.7% of the respondents. The study reveals that without a single license the business can operate within Nairobi; this was revealed by 91.7% of the respondent. The respondent stated that if you are to bribe officials who inspect compliance to licensing procedures requirements one is able to run the business without the licensing requirements. Most of the respondents, agreed that the taxation laws and Credit legislation affected operation of business. There were those that agreed that increase to the taxation would affect the performance of SMEs. Some of the respondents also agreed that the minimum wage and work safety laws was burdensome and required review. The findings further revealed that there is no proper monitoring for the licensing procedures thus existence of counterfeit automobile spare parts. These affect the operation and growth of SMEs.

### **5.1.3 Understanding of the Import and Export Regulation by the Automobile Operators**

The study found out that majority of respondents were importing their spare parts from foreign and this was indicated by 66.7% of the respondent while 33.3% from local dealers. On exemptions, the respondents were not aware of while importing automobile spare part; this was 100% of the respondents. The study indicated that the strict rules of involving the purchasing of spare parts through import and export affect greatly the overall turnover of SMEs in the automobile sector since it affects the cost of the spare parts. There is existence of punitive import and export charges that vary from country to country which affect the prices of automobile spare parts thus affect the growth and operation of SMEs.

### **5.2 Conclusion of the study**

The study concludes that the challenges of government regulations in the growth of small medium enterprises in Nairobi area have a positive and significant relationship on automobile parts sector within the NCBD. It also concludes that licensing procedures requirements had no effect on the growth of the SMEs and the effects of taxation policies on the growth of the SMEs have direct and indirect effects on the operation of SMEs.

The study concludes SMEs leads to the growth of economy. The small and micro entrepreneurship rely a lot in access to financial services, especially to boost the operation and to expand in other areas while the government should regulate taxation on the automobile parts in Nairobi so as to increase the growth of small and medium enterprises in Nairobi area. The study further concludes that import and export rules in the automobile sector should be reviewed by the government to create a convenient operating system in the automobile sector. This study deduces that government regulation in the growth of small medium enterprises in Nairobi area should enable access to markets through opening new markets and enhancing the existing markets to increase markets which highly contributes and encourages the concentration in SMEs.

### **5.3 Recommendations**

SME is one of the sectors that employs majority of Kenyans. Therefore there is need for the government to come with policies that will influence the growth of the sector. The study recommends that the government should revise the integrated taxation administration system and the import and export rule so as influence the growth of the SMEs. This can be achieved by taking in the views and recommendations of individuals in the SMEs sector especially those in the automobile spare part sector so as to come up with more comprehensive taxation laws and imports and export rules that are business friendly and support growth so as to enable the smooth operation of the SMEs in Nairobi and find out the ways to curb the direct and indirect effects of taxes on the operation of SMEs in Nairobi.

The study recommends that it is important that the government regulations should be used to improve the growth of small medium enterprises in Nairobi area specifically in the automobile parts sector at NCBD in order to reduce on the challenges. The government should sensitize the SMEs on taxation policies and import and export rules. This enables SMEs owners to identify gaps and assist the government in evaluating existing regulations effectively.



#### **5.4 Suggestion for Further Research**

Based in the conclusions on the findings of this study, the researcher suggest the following future research directions in the field relating to challenges of government regulation in the growth of small medium enterprises in Nairobi area. First, the study used cross-sectional survey data to answer research questions on challenges of government regulation in the growth of small medium enterprises in Nairobi area. It only looked at SMEs in automobile parts sector in Nairobi area. It only looked at SMEs in automobile parts sector in Nairobi central business district. Therefore, there is need to conduct a longitudinal study covering other areas in other cities or even the whole of the country to provide even more conclusive evidence to the above relationship.

Secondly, Future research efforts could also be focused on the government regulations in the growth of small medium enterprises SMEs so as to investigate the moderating effects of licensing, the cost of compliance and non-compliance to business permit, the operation of the SMEs, and effects of taxation policies and the effects of direct and indirect taxes of operation of SMEs in Nairobi which were the main objectives of this study. Moreover, future research endeavors in this area can use regression analysis to bring out clearly the relationship between these variables used in this study.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE FOR MOTOR SPARE PART SELLERS

Please respond to questions in this questionnaire. All answers will be used for academic purpose only. Your information will be confidential. Tick appropriately.

#### Section A: Background information

1. Gender of respondent in the business.....
  1. Male
  2. Female
2. Age of respondent in the business.....
  1. 18 – 25.
  2. 26 – 35.
  3. 36 – 40.
  4. 41 – 45.
  5. 46 and above.
3. Position of respondent in the business.....
  1. Sole Proprietor.
  2. Franchise dealers.
4. What is your level of education?
  1. Masters.
  2. Undergraduate.
  3. Secondary level.
  4. Primary level.
5. Approximate number of employee.(**Tick appropriately**)
  1. 1-50
  2. 51-100
  3. 101-150
  4. 151-200
  5. 201 and above.
6. Categorize your business.(**Tick appropriately**)
  1. Small scale business.
  2. Medium scale business.
  3. Micro scale business.



7. How long has your business been in operation? (**Tick appropriately**)
1. New and less than one year.
  2. 1-5years.
  3. 6-10years.
  4. 10-15years.
  5. 16- 20years.
  6. Over 20years.
8. Source of funding for your business.(**Tick appropriately**)
1. Government instruments.
  2. Micro financial institutions (MFIs).
  3. Personal savings.
  4. Family and friends.
  5. Commercial banks.
  6. Donor funding.
9. What is your business approximate annual turnover in Kenya shillings?  
(**Tick appropriately**)
1. 1-50000
  2. 51000 - 100000
  3. 101000- 200000
  4. 50000- 1million.
  5. 2-5 million.
  6. Over 5 million.

**SECTION B: CHALLENGES OF TAXATION IN THE OPERATION OF SMEs**

10. Do you understand the integrated tax administration system?

Yes  No

Give reasons for your answer

.....  
 .....

To what extent are you familiar with tax administration system procedures?

11. Not at all. 2. Less extent. 3. Moderate extent. 4. Great extent. 5. Very great extent

12. To what extent are you familiar with the following types of taxes used in the tax administration system?

1. Not at all. 2. Less extent. 3. Moderate extent. 4. Great extent. 5. Very great extent

<b>Type of taxes</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Corporate income tax.					
Property tax.					
Tariffs.					
Pay as you earn (PAYE).					
Rent income.					
Dividends.					
Interest.					
Pension.					
Royalties.					
Income from management of professional fees.					

13. Has the complex tax system affected the operation of your business?

Yes  No

Give reasons for your answer

.....  
 .....  
 .....

14. To what extent do the following factors affect the operations and growth of your business?

1 .Very small extent 2. Small extent 3. Neutral 4. Large extent 5. Very Large extent

<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
High tax rates.					
Low efficiency in tax administration.					
Double taxation.					
No professional tax consultancy.					
Weak tax planning.					

15. List any other challenges that affect the operation and growth of your business.

.....  
 .....  
 .....

**SECTION C: CHALLENGES OF BUSINESS LICENSING AND LAWS IN THE OPERATION OF SMEs**

16. Do the licensing procedures affect the operation of your business?

Yes  No

Give reasons for your answer.

.....  
 .....  
 .....  
 .....  
 .....  
 .....

17. To what extent do following business laws affect smooth operation of the business?

1. Not at all. 2. Small extent. 3. Neutral. 4 Large extents. 5. Very large extent.

<b>Business Laws</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Company, commercial and contract law.					
Property laws.					
Accounting laws.					
Taxation laws.					
Bankruptcy law.					
Minimum wage laws.					
Work safety laws.					
Rental laws.					
Credit legislation.					
Banking and financial market laws.					
Laws concerning competition.					
Anti-trust laws.					

18. State the laws that most affect operation of your business and explain.

.....  
 .....  
 .....

19. Do procedures and requirements for establishing a business affect operation of your business?

Yes  No

Give reasons for your answer.

.....  
 .....  
 .....

20. To what extent do the following procedures and requirements for establishing a business affect the operation of your business?

1. Very Small extent 2. Small extent 3. Neutral 4. Large extent 5. Very large extent.

<b>Procedures and requirements for establishing a business</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Single business permit.					
Trade license.					
Registration requirement.					
Renewal of licenses.					
Personal identification number.					
National Hospital Insurance Fund (NHIF).					
Nation Social Security Fund (NSSF).					
Import licenses.					

**SECTION D: IMPORT AND EXPORT RULES**

21. Do you understand import and export rules imposed by government on automobile operators?

Yes  No

22. Where do you purchase the spare parts?

1. Import.
2. Franchise dealers.

23. Do import and export rules affect operation of your business?

Yes  No

Give reason for your answer.....  
 .....  
 .....  
 .....

24. State any other challenge(s) your business has faced in operation.

.....  
 .....  
 .....